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SUBJECT: USTR DISCUSSES TIFA, TRADE ISSUES WITH EAC

Proposed U.S. - EAC TIFA

¶1. (U) On June 21, Bill Jackson, USTR Director of African Affairs, discussed the proposed U.S. - East African Community (EAC) Trade and Investment Framework Agreement (TIFA) and other trade issues with EAC officials in Arusha. Peter Kiguta, EAC Director General of Customs and Trade, and Flora Musonda, EAC Director of Trade, stated that within the EAC there remained questions at the expert level as to what the TIFA entailed and how it would benefit the EAC. Jackson explained the non-binding nature of the TIFA, and described it as a "means of increasing our engagement" on trade and investment issues. He further noted that the value and benefits of the TIFA depend largely on what the TIFA partners bring to the table in terms of issues and potential areas for cooperation. He cited Rwanda, COMESA, and Mauritius as examples of trade partners that the U.S. has engaged through TIFA discussions with positive results. He encouraged Kiguta and Musonda to consult with their counterparts in these countries and in COMESA as they consider the TIFA, and they indicated that they would do so. Jackson noted that while the U.S. remains interested in a TIFA with the EAC, it was not interested in undertaking an agreement for the sake of an agreement and would wait to hear of the EAC's interest.

¶2. (U) Kiguta confirmed that the EAC members are currently discussing a TIFA between the U.S. and the EAC itself, rather than with the five individual EAC member states, as originally proposed. Jackson explained that the U.S. had prepared the text for signature with the EAC member countries based on guidance provided by the trade ministers of Kenya and Tanzania when the U.S. raised the prospect of a TIFA with them in June 2006. In light of the new direction from the EAC, he would look into the possibility of providing a revised draft text reflecting the EAC as the signatory. Musonda stated that the EAC members would continue to discuss the TIFA, noting that with the recent expansion of the EAC to five members, discussions had been moving slowly. She stated that, if the U.S. could provide a revised draft text, the EAC would seek to respond to it quickly, perhaps by as early as August.

¶3. (U) COMMENT: Given the lack of movement on the proposed TIFA by the EAC since fall 2006, the fact that the proposal is still being debated at the expert level, and the EAC's tendency to move slowly, it is unlikely that the EAC will make any definitive decision on the TIFA soon, other than perhaps a decision to continue discussing the TIFA proposal with the U.S. However, the U.S. Embassy in Dar es Salaam has begun an effort to raise interest in a TIFA at the State

House (presidential) level, so as to make Tanzania a champion for an agreement with the EAC. END COMMENT.

Other Issues

14. (U) In response to Jackson's request for an update on EAC duties regarding used clothing, Musonda stated that action was taken in the spring of 2005 to reduce the duty originally proposed by the EAC, and that there were no plans to further reduce the duty. Regarding EAC duties on almonds, Kiguta explained that when the EAC Customs Union was established, the EAC chose to include all nuts in a general category. He claimed that it was not feasible -- and might even contravene WTO commitments -- to subcategorize individual nut types in separate tariff lines. Jackson said he doubted that any WTO commitments would be violated by simply creating product-specific tariff lines and urged Kiguta to re-examine the categorization of almonds.

15. (U) Bill Jackson of USTR has cleared this cable.
RETZER